

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP  
NOVEMBER 2, 2011**

**DIRECTORS PRESENT**

Jim Haselton, Committee Chair  
Mike Safranski, Committee Member

**STAFF PRESENT**

Don Chadd, General Manager  
Hector Ruiz, District Engineer  
Teresa Teichman, District Secretary  
Michael Perea, Special Project Manager  
Karen Warner, Accounting Supervisor

**PUBLIC PRESENT**

No members of the public were present.

**CALL MEETING TO ORDER**

Committee Chair Haselton called the November 2, 2011 Finance/Audit Committee Meeting to order at 7:03 a.m.

**VISITOR PARTICIPATION**

Public comments were announced. No comments were received.

**ORAL COMMUNICATION**

Oral communication was announced. No comments were received.

**COMMITTEE MEMBER COMMENTS**

There were no committee member comments.

**REPORT FROM THE GENERAL MANAGER**

Mr. Don Chadd, General Manager, advised TCWD is the lead agency for the El Toro Lift Station and as such Mrs. Karen Warner, Accounting Supervisor, is preparing invoices for the

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Irvine Ranch Water District (IRWD) along with the Santa Margarita Water District (SMWD) for their annual share of costs.

**FINANCIAL MATTERS**

**ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP**

The October 5, 2011 Finance/Audit Committee Meeting Recap was presented to the Committee.

**Recommendation:** *The Committee recommended that the October 5, 2011 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).*

**ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES  
AND FUTURE MEETINGS**

The Committee reviewed this matter. No changes were made.

Mr. Chadd stated TCWD has received a public records request specific to Director's compensation, benefits and expenses.

**Recommendation:** *The Committee recommended that the Directors' expenses for September/October 2011 and fees for September/October 2011 be forwarded to the Board for ratification. (Consent Calendar)*

**ITEM NO. 3) STATUS UPDATE RELATING TO TCWD FISCAL YEAR  
AUDIT 2010/2011**

Mr. Chadd advised TCWD's Finance department is working with TCWD's Auditors in order to prepare for the 2010/2011 fiscal year audit.

Mr. Chadd stated TCWD has requested a draft report by the time of the November 16, 2011 Board meeting. Mr. Neil Glass, of Leaf & Cole, has indicated the information may not be ready by November and he anticipates providing the draft sometime in December, 2011. Mr. Chadd clarified TCWD has provided all requested information to Mr. Glass.

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**ITEM NO. 4)            STATUS UPDATE RELATING TO STORM DAMAGE**

Mr. Hector Ruiz, District Engineer, advised there is no new information to report relating to the 8-inch Rose Creek Crossing.

Mr. Ruiz stated he has not heard back from the Army Corp of Engineers nor the Regional Water Quality Control Board. Mr. Ruiz stated if neither agency responds back within their allotted timeline, it is a silent approval and Mr. Ruiz intends to move forward with preparation for the project to begin prior to TCWD's wet season.

Mr. Ruiz stated the same information as above applies to the 16-inch Serrano Creek Crossing.

Discussion occurred related to the FEMA processing process.

**Recommendation:**    *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 5)            DISCUSSION AND POSSIBLE ACTION RELATING TO  
ADJUSTMENT TO SEWER SERVICE FEES**

Mr. Chadd advised, if it is the pleasure of the Board, Staff will bring a recommendation to the Board at the time of the January 2012 Regular Board meeting in order that the Board may decide to implement the sewer service fee and to discuss an implementation timeline.

Mr. Chadd explained the method for breaking out actual sewer service fees is to allocate staff time and overhead costs to each of TCWD's five sewer service zones; Chiquita zone, Robinson Ranch zone, County of Orange contract service zones, Oaks at Trabuco contract service zone, and the Canyon which is an inactive sewer service zone.

Committee Member Safranski inquired as to the anticipated increase to the monthly sewer service fee. Mr. Chadd responded he would anticipate the monthly fee moving from \$19.00 per month to \$34.00 and it would be his recommendation to phase in the increase.

Committee Member Safranski inquired what impact the increased sewer service fees would have on the cost recently calculated by TCWD for the MET/MWDOC Pass Through as it relates to subsidizing water. Mr. Chadd responded water rates could go down and the Board would have the option of lowering rates or could choose to utilize the funds for infrastructure, which is what Mr. Chadd advised would be his recommendation.

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Discussion occurred relating to the Portola Hills potable water rate, which is supplied by IRWD.

**Recommendation:**     *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 6)                    DISCUSSION AND POSSIBLE ACTION RELATING TO  
ESTABLISHING CUSTOMER SERVICE POLICIES TO  
ADDRESS RESIDENTIAL METER EASEMENTS AND  
ACCESS.**

Mrs. Teresa Teichman, Secretary to the Board of Directors, advised the committee that TCWD's meter staff has encountered issues relating to easement and access situations, within residential communities in TCWD service area, which may necessitate policy delineation in order that TCWD's Customer Service department has guidelines to address such situations in a fair, consistent manner.

Mrs. Teichman provided examples ranging from overgrowth of plant life covering up or blocking meter access to instances of landscape modifications, made by customers, which result in inaccessibility of TCWD's angle stop and/or meter.

Mrs. Teichman relayed information as to the course of action TCWD's five neighboring water agency take as it relates to this situation.

Mr. Chadd advised he had lengthy discussion with TCWD's legal counsel on this matter and that legal counsel strongly discourages TCWD from going onto a customer's property to remedy a situation. Legal counsel recommends accessing fines until such time that the homeowner corrects the problem.

**Recommendation:**     *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 7)                    REVIEW OF ARBITRAGE REBATE CALCULATION, 1994  
SENIOR LIEN SERIES A AND JUNIOR LIEN SERIES B**

Mr. Chadd stated this is an annual requirement of the indenture and a summary is attached for the Boards information and review. Mr. Chadd stated TCWD's liability, through September 30, 2011, is zero.

**Recommendation:**     *The Committee recommended that the information be forward to the Board. (Consent Calendar).*

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**ITEM NO. 8)            OTHER MATTERS**

Mr. Chadd distributed a flow chart from August of 2005 which was provided to the District to assist in the preparation of the State Revolving Fund Loan process. Mr. Chadd acknowledged and complimented Mr. Hector Ruiz, District Engineer, Mr. Michael Perea, Special Projects Manager, and Mrs. Karen Warner for their involvement in the process.

Mr. Chadd stated he will be attending a meeting today at MWDOC, which he believes is a Result of the six South County Water Agencies negotiation efforts over the past several years Relating to representation at MET. Mr. Chadd stated it is in the best interest of the District, and the other South County Agencies, to be present at these MET/MWDOC workshops, wherein MET Directors are present, for the purpose of collaboration.

Mr. Chadd advised Mr. Paul Cook has been named as IRWD's new General Manager.

Lastly, Mr. Chadd advised that the Robinson Ranch Homeowners Association (RR HOA) Has approached TCWD as it relates to participation in MWDOC's Turf Removal Program. Mr. Perea advised the Committee that TCWD does not currently participate in the Turf Removal Program which would preclude RR HOA from obtaining funding through MET's Water Use Efficiency Program. Mr. Perea discussed an option for TCWD to provide minimal in-kind services to enable RR HOA to be eligible for reimbursement up to \$10,000 from MET. Mr. Perea explained the requirement from the District would be to certify the proposed area prior to the turf removal and again after the turf removal.

Discussion occurred relating to other Homeowner Associations within TCWD electing for this proposed service.

**ITEM NO. 9A)            PRESENTATION OF JULY 2011 UNAUDITED FINANCIAL STATEMENT**

Mr. Chadd advised the Committee that TCWD's contract Treasurer had fallen at TCWD some months back, which have caused limitations in her work schedule and therefore, has now brought in an assistant to work with Mr. Ruiz as it relates to the organization of Capital Improvement Projects for the District.

Mr. Chadd stated the first three months of this current fiscal year reflect water sales are down. Mr. Chadd noted Ad Valorem property taxes have not yet been received.

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Discussion occurred relating to reclaimed water sales to SMWD.

**Recommendation:**     *The Committee recommended that the Board receive and file the September 30, 2011 preliminary unaudited financial statement, as presented. (Consent Calendar).*

**ITEM NO. 9B)        BILLS FOR CONSIDERATION**

The bills for consideration were presented.

**Recommendation:**     *The Committee recommended that the Board ratify payment of October 18, 2011 bills for consideration in the amount of \$66,140.02, and the November 2, 2011 bills for consideration in the amount of \$374,502.60 and the October 2011 payroll in the amount of \$151,402.09 as presented. (Consent Calendar).*

**ADJOURNMENT**

Committee Chair Haselton adjourned the November 2, 2011 Finance/Audit Committee Meeting at 7:48 a.m.